

# HOUSE BILL REPORT

## HB 1557

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### As Reported By House Committee On:

Natural Resources  
Finance

**Title:** An act relating to taxation of property improvements used for fish and wildlife habitat restoration and protection and water quantity and quality improvement programs.

**Brief Description:** Exempting from taxation and valuation of property improvements used for fish and habitat restoration and protection and water quantity and quality improvement programs.

**Sponsors:** Representatives Buck, Linville, Crouse, Kastama, Hankins, Grant, Lisk, Doumit, Hatfield, Johnson and Regala.

### Brief History:

#### Committee Activity:

Natural Resources: 2/11/97, 2/18/97 [DPS];  
Finance: 3/3/97, 3/7/97 [DP2S w/o sub NR].

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## HOUSE COMMITTEE ON NATURAL RESOURCES

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Buck, Chairman; Sump, Vice Chairman; Thompson, Vice Chairman; Regala, Ranking Minority Member; Butler, Assistant Ranking Minority Member; Alexander; Anderson; Chandler; Hatfield; Pennington and Sheldon.

**Staff:** Rick Anderson (786-7114).

**Background:** The Puget Sound water quality management plan requires local conservation districts to work cooperatively with commercial and non-commercial farms to implement plans and management practices to reduce water quality impacts caused by non-point pollution. To meet this requirement, local conservation districts develop farm plans that incorporate various actions commonly referred to as best management practices. These practices include activities such as fencing cattle from streams, planting trees alongside water bodies to reduce water temperature, and restoring and enhancing wetlands.

Real and personal property in this state is generally subject to a property tax. Property is assessed at its true and fair market value, unless the property qualifies under a special valuation program.

The tax is determined by multiplying the assessed value by the tax rate for each taxing district in which the property is located.

**Summary of Substitute Bill:** Improvements to real and personal property are excluded from property tax assessment if the improvement is a part of a written best management practices agreement and provides benefits to wildlife habitat, water quality, or water quantity. The written agreement must be approved by specified federal, state, or local agencies. A landowner must maintain the improvements as provided in the written agreement to remain eligible for the tax exemption.

The State Conservation Commission is directed to keep a current list of property owners that have entered into a written best management practices agreement that provides specific natural resource benefits. The commission must provide the list to the appropriate county tax assessor. A landowner may file a claim with a county assessor to receive the tax exemption.

**Substitute Bill Compared to Original Bill:** The substitute bill specifies who can approve a written agreement and that the improvements must be maintained to retain eligibility for the tax exemption. The substitute bill also clarifies the record keeping and notification duties of the Conservation Commission and provides a mechanism for a landowner to claim the tax exemption.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date of Substitute Bill:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** Local conservation districts work with farmers on a voluntary basis. There is a perception that the improvements a farmer may make as a result of entering into a best management practice agreement will increase that person's property taxes. People should not have to pay higher taxes when they make voluntary improvements to benefit the environment. Improvements should be maintained to continue qualifying for a tax exemption.

**Testimony Against:** None.

**Testified:** Ted Bottiger, Washington State Association of Conservation Districts; John D. Kelly, King County Outdoor Sports Council; Ed Owens, Coalition of Coastal

Fisheries; Bruce Wishart, People for Puget Sound (all pro); and Cyreis Schmitt, Washington Department of Fish and Wildlife (with concerns).

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## HOUSE COMMITTEE ON FINANCE

**Majority Report:** The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Natural Resources. Signed by 14 members: Representatives B. Thomas, Chairman; Carrell, Vice Chairman; Mulliken, Vice Chairman; Dunshee, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; Boldt; Butler; Conway; Kastama; Mason; Morris; Pennington; Schoesler and Van Luven.

**Staff:** Rick Peterson (786-7150).

**New Background:** The federal Endangered Species Act (ESA) makes it unlawful to "take" any endangered species of fish or wildlife. Habitat conservation plans are provided to the Secretary of the Interior (Secretary of Commerce, for salmon species) by an applicant who seeks a permit for incidental taking of endangered species of fish or wildlife.

**Summary of Recommendation of Committee on Finance Compared to Recommendation of Committee on Natural Resources:** The recommendations are the same except that habitat conservation plans under the terms of the federal Endangered Species Act are not considered to be best management practices agreements eligible for property tax exemption.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Second Substitute Bill:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** Washington needs tools to begin salmon restoration and other projects. This bill provides incentives to encourage private participation in projects that will mitigate impacts on wildlife habitat. Landowners will be reluctant to participate in mitigation or restoration projects when their property taxes might rise. This bill provides a quick simple solution: the assessor does not increase your property value when an improvement that is part of a best management practices agreement is added to the property.

**Testimony Against:** None.

**Testified:** (Pro) Steve Keller, Department of Fish and Wildlife; Larry Oathout, South Puget Sound Salmon Enhancement Group; and Ted Bottiger, Washington Association of Conservation Districts.